

No. 6/11/DPM

Jakarta, 16 February 2004

**CIRCULAR LETTER
TO
ALL COMMERCIAL BANKS,
MONEY MARKET BROKERAGE COMPANIES AND
SECURITIES COMPANIES
IN INDONESIA**

Concerning: The Criteria, Requirements and Procedures for Appointment of Bidders for Sovereign Debt Instruments

In regard to the stipulated Bank Indonesia Regulation Number 6/3/PBI/2004 dated 16 February 2004 concerning the Issuance, Sales, Purchase and the Administration of Sovereign Debt Instruments (the State Gazette of the Republic of Indonesia of 2004 Number 16, the Supplement to the State Gazette Number 4364), defining that the sales of Sovereign Debt Instruments by means of auctions shall be conducted through Bidders consisting of Bank, Money Market Brokerage Companies and Securities Companies.

In accordance with the above Bank Indonesia Regulation, Bank Indonesia is authorized to conduct a selection process of the candidates Bidder of Sovereign Debt Instruments Auction based on the criteria and requirements set forth by the Ministry of Finance of the Republic of Indonesia. Therefore, it is deemed necessary that Bank Indonesia shall announce the criteria and requirements set forth by the Ministry of Finance of the Republic of Indonesia with the promulgation of letter number S-117/MK.01/2003 dated 20 March 2003 concerning the Approval for the Criteria of the Bidder of Sovereign Debt Instruments in the Initial Market and letter number S-443/M.K.01/2003 dated 4 December 2004 concerning the Alteration of Requirements for A Securities Company as a Bidder of Sovereign Debt Instruments in the Initial Market, and determine procedures for the application of Banks, Money Market Brokerage Companies and Securities Companies to be eligible as the Bidders for Sovereign Debt Instruments.

I. The Criteria

I. The Criteria and Requirements for Auction

1. The appointed Bidders for the Auction includes Banks, Money Market Brokerage Companies and Securities Companies that comply with the following criteria:
 - a. domiciled in the legal territory of Indonesia; and
 - b. are not undergoing bankruptcy proceeding in the court of justice.
2. The Criteria and Requirements for each participant of the Auction are as follows:
 - a. Bank
 - 1) holds a valid operating license to conduct business as a Bank;
 - 2) comply with the requirements for Capital Adequacy Ratio that from hereinafter referred to as CAR, pursuant to Bank Indonesia regulations.
 - b. Money Market Brokerage Company
 - 1) holds a valid operating license to conduct business as a Money Market Brokerage Company;
 - 2) has at least 2 (two) experts on money market field;
 - 3) actively conducts business on the money market and/or trading in Bank Indonesia Certificates (SBI) reflected in the cumulative bidding activities in SBI initial market for 1 (one) month with the minimum amount of 1% (one percent) of total issuance during the last 3 (three) months.
 - c. Securities Company
 - 1) holds an legal operating license issued by the Capital Market Supervisory Agent hereinafter referred to as CMSA;
 - 2) has an adequate number of expert on the field of capital market;
 - 3) possesses no less than 3 (three) years experience in the transaction activities on the capital market;
 - 4) owns an Net Adjusted Working Capital, hereinafter referred to as NAWC, with the minimum amount of Rp. 100.000.000.000,00 (one hundred billion rupiahs);
 - 5) In the case of a Securities Company acting as a broker, it must own an NAWC with the minimum amount of Rp. 50.000.000.000,00 (fifty billion rupiahs).

3. In the.....

3. In the case of Bank, Money Market Brokerage Companies and Securities Companies have complied with the criteria and requirements to be a participant in the Auction of Sovereign Debt Instruments with the approvals from The Minister of Finance of the Republic of Indonesia, the concerning party must become a Participant of Bank Indonesia – Scriptless Securities Settlement System.

II. The Code of Conducts for the Application of the Auction Bidder

1. Bank, Money Market Brokerage Companies and Securities Companies complying with the requirements set forth in number I shall submit an application form according to the specimens in Appendices 1 a, 1 b and 1 c addressed to:

Bank Indonesia – The Directorate of Monetary Management
Cq. Securities Administration Developing of Team
Building B 12th Floor
Jl. MH. Thamrin No. 2
Jakarta 10010

2. The application letter as referred to in number 1 shall be completed with the following documents:
 - a. Bank
 - 1) photocopy of the operating license to conduct business as a Bank;
 - 2) photocopy of the articles of association and any amendment thereto; and
 - 3) statement on latest position of CAR.
 - b. Money Market Brokerage Companies
 - 1) photocopy of the operating license to conduct business as a Money Market Brokerage Company;
 - 2) photocopy of the articles of association and any amendment thereto; and
 - 3) statements of professional experience and expertise of members of the board of directors and the money market experts;

4) evidence

- 4) evidence of transaction activity on the money market during the past 3 (three) months.
- c. Securities Company
 - 1) photocopy of the operating license to conduct business as a Security Company issued by the CMSA;
 - 2) photocopy of the articles of association and any amendment thereto; and
 - 3) statements of professional experience and expertise of members of the board of directors and the capital market experts;
 - 4) statement on latest position of NAWC.
3. Bank Indonesia shall conduct the selection of the application as referred to in number 1 and convey the result of the selection of candidate Bidders for the Auction to the Minister of Finance no later than 1 (one) week after receipt of complete application..
4. In regard to the decision of the Minister of Finance of the Republic of Indonesia, Bank Indonesia shall inform applicants of rejection or approval to be the Bidder of Sovereign Debt Instruments Auction.
5. Bank Indonesia shall announce the appointed Bidder for Sovereign Debt Instruments Auction through Bank Indonesia Scriptless-Securities System, Money Market Information Center (MMIC) and or other facilities.

III. Report Requirements for the Bidder

1. Bank, Money Market Brokerage Companies and Securities Companies appointed as the Auction Bidder shall be required to prepare a monthly report pertaining bidding activity and/or sales of Sovereign Debt Instruments according to the form presented in Appendix 2.
2. The report referred to in number 1 shall be submitted no later than 5 (five) working days after the end of the reporting month, addressed to:
 Bank Indonesia – The Directorate of Monetary Management
 Cq. Securities Administration Developing of Team
 Building B 12th Floor
 Jl. MH. Thamrin No. 2
 Jakarta 10010

IV. Supervision

IV. Supervision of Bidders

Bank Indonesia shall conduct evaluation on the activities of the Bidders in auction and/or sales of Sovereign Debt Instruments on a periodical basis or within the period of 1 (one) year.

V. Revocations of Appointment as Bidders

The appointment of Bank, Money Market Brokerage Companies and Securities Companies appointed as the Auction Bidder may be revoked by the Minister of Finance of the Republic of Indonesia at the recommendation of Bank Indonesia under the following conditions:

1. not active in the bidding for Sovereign Debt Instruments during a period of 1 (one) year;
2. undergoing a bankruptcy proceeding in court;
3. commit violation of Bank Indonesia provisions and/or the applicable capital market regulations.
4. the Auction Bidder failing to comply with the criteria and requirements as referred to in number I; and/or
5. According to the judgement of Bank Indonesia, there is a potential risk that will undermine market credibility if the Bidder continues to be a Bidder.

VI. Concluding Provisions

With the enactment of this Circular Letter, Bank Indonesia Circular Letter Number 5/5/DPM dated 21 March 2003 concerning the Criteria, Requirements and Procedure for Appointment of Bidders for Sovereign Debt Instrument and Bank Indonesia Circular Letter Number 5/33/DPM dated 4 December 2003 concerning the Amendment of Bank Indonesia Circular Letter Number 5/5/DPM dated 21 March 2003 concerning the Criteria, Requirements and Procedure for Appointment of Bidders for Sovereign Debt Instrument is declared no longer valid.

The provisions of this Bank Indonesia Circular Letter shall come into force on 16 February 2004.

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For the public be informed, it is ordered that this Circular Letter be promulgated in the State Gazette of the Republic of Indonesia.
Kindly be informed.

BANK INDONESIA,

signed

BUDI MULYA
DIRECTOR OF MONETARY MANAGEMENT